Yale *Program on Stakeholder Innovation and Management*

When Companies Forget Who They Are
The Work of Refounding

Within twelve months in 2024–2025, five iconic companies replaced their CEOs. Headlines captured their shared dilemma: "Why Nike, Starbucks, and Boeing have lost their magic,"[1] "How Target lost its sparkle,"[2] and, from Bill Gates, "I am stunned that Intel basically lost its way."[3] The language is telling. These struggles stem not only from strategic or operational missteps but from something more fundamental—an erosion of distinctive character. They are companies that have, in a real sense, forgotten who they are.

These examples are part of a broader pattern. Since 2020, the Yale School of Management's Program on Stakeholder Innovation and Management has conducted nearly 200 in-depth CEO interviews. We have observed that the conventional playbook for turnarounds and transformations—restructuring, portfolio reshaping, process redesign—often proves inadequate when a company has lost connection to its core identity. Some leaders, recognizing this deeper issue, undertake different work: recovering enduring organizational truths and reinterpreting them for a changed world.

Call it "refounding." It begins with understanding how organizational character is encoded in the firm's formative stages. (See sidebar, "Starting vs. Founding.") This character defines why the firm exists, how it distinctively operates, and what unique value it creates. Successful founders embed it into operational choices, cultural norms, and strategic priorities, providing continuity through changing technologies, managements, and markets.

Drift: The Erosion of Character

Even companies with clearly encoded character can lose their way through institutional drift—accumulated decisions that pull an organization away from its foundational identity.[4] Ironically, success can hasten drift. Expansion introduces shifting priorities and complexity.

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[1] Allison Morrow, "Why Nike, Starbucks and Boeing Have Lost Their Magic," *CNN Business*, October 25, 2024.
[2] Juliana Kaplan, "How Target Lost Its Sparkle," *Business Insider*, May 31, 2025.
[3] Bill Gates, "Bill Gates Shares His Thoughts on Vaccine Backlash, Intel's Woes and Google's Antitrust Battle," Associated Press, February 3, 2025Gates stated: "I am stunned that Intel basically lost its way… (Intel co-founder) Gordon Moore always kept Intel at the state of the art. And now they are kind of behind in terms of chip design and they are kind of behind in chip fabrication."
[4] The concept of "institutional drift" has been discussed in various forms in organizational theory, from Philip Selznick, *Leadership in Administration: A Sociological Interpretation* (Evanston, IL: Row, Peterson, 1957) to Tyrrell Burgess and John Pratt, *Policy and Practice: The Colleges of Advanced Technology* (London: Allen Lane/The Penguin Press, 1970).

Acquisitions add new cultural DNA. Leaders may focus on measurable financial outcomes but miss degradation of intangibles like customer satisfaction, employee engagement, and brand authenticity. Each decision seems rational, even necessary, but their cumulative effect can fundamentally alter the organization's character.

Boeing's 1997 merger with McDonnell Douglas brought in executives who prioritized financial optimization over the company's historic commitment to technical rigor and safety. They cut what they saw as "engineering gold-plating"—the additional design work that Boeing's engineers considered essential for performance and safety. By the time of the 737 MAX crisis, Boeing's culture had fundamentally changed.[5]

Starbucks drifted as growth and COVID-19 overshadowed its founding vision to create a "third place"[6]—a welcoming refuge between home and work. Rapid expansion through the 2000s drove standardization and efficiency, while the pandemic necessitated a shift to mobile ordering and drive-thru service. These rational adaptations eroded the experience that once defined the brand: automated espresso machines replaced manual brewing methods that had enabled barista-customer interaction[7] and store designs began to prioritize mobile pickup over comfortable gathering spaces.[8]

Rio Tinto's drift was similarly insidious until a crisis brought it to light. When Jakob Stausholm became CEO in 2021, the mining giant was reeling from its destruction of 46,000-year-old sacred Aboriginal sites at Australia's Juukan Gorge.[9] His analysis revealed that the disaster wasn't an isolated operational failure but the culmination of a decade-plus focus on cost-cutting that had eroded the company's historic strengths in responsible mining practices and community partnership.[10]

Refounding Isn't Nostalgia

CEOs tend to resist looking backward, and for good reason. Companies often falter precisely because they cling too long to past successes and fail to adapt. The instinct to focus forward, to innovate and transform, reflects hard-learned lessons about the dangers of nostalgia in business.

The relationship with the past that is needed for refounding is fundamentally different. It is about distinguishing what should endure from what must evolve. This is interpretive, almost archeological work. It requires leaders to excavate foundational principles buried beneath layers of accumulated practices. The task is to sift systematically through organizational

[5] Peter Robison, *Flying Blind: The 737 MAX Tragedy and the Fall of Boeing* (New York: Doubleday, 2021).
[6] Ray Oldenburg, *The Great Good Place: Cafes, Coffee Shops, Bookstores, Bars, Hair Salons, and Other Hangouts at the Heart of a Community* (New York: Marlowe & Company, 1999).
[7] Starbucks Corporation, "Finding Our Way," Starbucks Archive, accessed June 19, 2025.
[8] Heather Haddon, Victor Stefanescu, and Liza Lin, "What's Wrong With Starbucks," *The Wall Street Journal*, August 16, 2024.
[9] Ravi Dhar, Jon Iwata, Pamela Yatsko, "Rio Tinto Aftermath," *Yale School of Management Case Study 25-024*, October 6, 2025.
[10] Interview with Jakob Stausholm by Y-SIM, 2023.

sediment to discern which elements represent enduring truths and which are temporary adaptations that have outlived their usefulness.

When leaders forensically examine their company's past, they typically focus on two elements:

- An *enduring need*: A fundamental human, business, or societal need the organization was created to address—one that persists across technological and market change.
- A *distinctive capability*: A unique approach to creating value that is difficult for competitors to replicate and independent of specific products, services, and technologies.

Walt Disney identified an enduring need for wonder and escapism, developing a distinctive capability for creating immersive worlds that made people believe that dreams can come true. Sam Walton addressed working families' enduring need for affordable goods with a distinctive pairing of low prices with friendly, small-town service values. Thomas J. Watson, Sr. of IBM foresaw an enduring need for information management as competitive advantage and built a distinctive combination of data-processing tools and expert service to help businesses apply them.

Few leaders navigated this interpretive challenge more effectively than Steve Jobs, whose work as both founder and refounder has become a business parable. With Steve Wozniak, Jobs originally shaped Apple's character around empowering human creativity through intuitive, beautifully designed technology. When he returned in 1997 to a near-bankrupt Apple, his task was to rediscover that ethos and reinterpret it for a new era. He immediately cut 70 percent of product lines to restore focus and launched the "Think Different" campaign to reassert identity. Within a year, Apple introduced the iMac, embodying both the enduring need—to democratize computing for creative people—and the distinctive capability: design that made technology inviting and inspirational rather than merely functional. That foundation seeded a decade of breakthrough products and transformed Apple into the world's most valuable company.[11]

Current refounding efforts follow this pattern. Starbucks CEO Brian Niccol's "Back to Starbucks" plan aims to refocus "on what has always set Starbucks apart—a welcoming coffeehouse where people gather, and where we serve the finest coffee, handcrafted by our skilled baristas. This is our enduring identity."[12] Nike CEO Elliott Hill diagnosed Nike's drift clearly: "We lost our obsession with sport."[13] His refounding centers on returning to roots: "We will lead with sport and put the athlete at the center of every decision."[14] At Target, CEO

[11] Walter Isaacson, *Steve Jobs* (New York: Simon & Schuster, 2011).
[12] Brian Niccol, "Message from Brian: Back to Starbucks," Starbucks, September 10, 2024.
[13] Amaris Encinas, "'We Lost Our Obsession With Sport': New Nike CEO Outlines Vision to Turn Around Iconic Brand," *USA Today*, December 20, 2024.
[14] Ibid.

Michael Fiddelke offers this prescription: “Our unique lane in retail is when we lead with style and design… That’s the North Star.”[15]

The Why, How, and What

Rediscovering the enduring need and distinctive capability is the first step. Leaders must then express both through three interdependent elements that create institutional coherence.

The Why: Purpose

Organizational purpose transcends any specific product, service, or business model. It identifies the persistent need that the organization exists to address.

Mars, Inc. illustrates how even century-old companies may need to codify their purpose to prevent drift. Since 1911, the privately held, family-owned company had transmitted its character informally—through family members who worked in and often led the company.[16] Forrest Mars, Sr. had articulated in a 1947 letter the importance of creating “a mutuality of benefits for a broad range of different groups.”[17] Based on his concepts, the family formalized Five Principles—Quality, Responsibility, Mutuality, Efficiency, and Freedom—in 1983.[18] But the family recognized that future generations of the family would not necessarily work at Mars, let alone lead it. The company’s distinctiveness could drift.

So, starting in 2016, the family and management undertook a multi-year effort, culminating in the Mars Compass.[19] This work began with defining organizational purpose. Expanding the meaning of “mutuality” to include the creation of positive impact across generations, they captured their purpose in the following phrase: “The world we want tomorrow starts with how we do business today,”[20] thus connecting daily decision-making to the “why."

The How: Culture

Organizational culture comprises the values, behaviors, and norms that translate purpose into daily practice.

When Francesco Starace became CEO of the global energy leader Enel in 2014, the company faced multiple stakeholder pressures: heavy debt generated by the high capital costs and long development cycles of fossil fuel and nuclear plant construction; mounting community

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[15] Sarah Nassauer, “Target Shares Tumble After Retailer Names a Lifer to Steer Its Turnaround,” *The Wall Street Journal*, August 20, 2025.
[16] “Mars Family,” *Forbes*, accessed November 8, 2025.
[17] Poul Weihrauch, “Listen with Your Head and Heart: How Mars Anchors on Principles and People,” McKinsey & Company, April 26, 2023.
[18] “The Five Principles,” Mars, Inc., accessed November 8, 2025, https://www.mars.com/about/the-five-principles.
[19] James Quinn, Ravi Dhar, Jon Iwata, and Jaan Elias, “Mars,” *Yale School of Management Case Study 23-018*, April 12, 2023, revised March 7, 2025.
[20] “All About Mars,” Mars, Inc., accessed September 4, 2025.

protests around the world against new plants; and regulatory demands to reduce emissions.[21] Starace recognized an opportunity for refounding. He issued two simple but radical dicta: no new plants in communities that didn't want them, and investment only in projects operational within three years.[22] These constraints, rather than limiting the company, sparked transformation.

The shift to a shorter-term investment-and-deployment model required a radical increase in experimentation to generate potential projects. The other strategic dictum—about community consent—forced new approaches to stakeholder engagement. Together, these dicta catalyzed a new culture of innovation, a more collaborative way of engaging communities, and a shift to distributed renewable generation. The results validated Starace's refounding. From 2014 to 2019, Enel's operating income more than doubled, market value nearly doubled, and renewables surpassed fossil fuels for the first time.[23]

The What: Strategy

Strategy must evolve continuously, but the most effective strategic evolution flows from foundational purpose rather than chasing market opportunities.

When Spotify launched in 2006, the company made a counterintuitive choice: it framed its purpose not around music delivery but discovery—using its position between hundreds of millions of fans and hundreds of thousands of artists to create value neither could generate separately.[24] This purpose shaped major strategic decisions. For listeners, Spotify invested heavily in recommendation algorithms and curated playlists such as Discover Weekly.[25] For artists, Spotify introduced services like Spotify for Artists, providing rich insights for tour planning and merchandise decisions.[26]

Spotify's eventual expansion into podcasts and audiobooks was a further manifestation of its purpose. While competitors could match catalog size or audio quality, they struggled to replicate Spotify's data-driven discovery and the network effects it created. Strategy evolved with technology and market conditions, but always in service of connecting artists and fans through mutual discovery.[27]

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[21] Gwen Kinkead, Jon Iwata, Stefano Giglio, and Jaan Elias, "Enel," *Yale School of Management Case Study 23-017*, March 30, 2023.
[22] Ibid.
[23] Enel S.p.A., *Annual Reports 2014–2019*, accessed July 14, 2025.
[24] Stuart Dredge, "10 Key Talking Points from the Spotify Investor Day," *Music Ally*, March 15, 2018.
[25] Sofie Lindblom and Matt Ogle, "What Made Discover Weekly One of Our Most Successful Feature Launches to Date?" Spotify Engineering Blog, November 18, 2015.
[26] "Where Your Music Is Everything—Spotify for Artists," Spotify for Artists, accessed November 8, 2025.
[27] Based in part on interviews conducted with Seth Farbman by Professor Jon Iwata, March 2024 and May 2024. Interviews not published.

Embedding Character in Operations

Purpose, culture, and strategy are necessary but not sufficient. They will remain aspirational without systematic implementation. Leaders must embed character into operational systems that shape daily organizational life.

Mars demonstrates proactive embedding through its Compass framework, introduced in 2018 to prevent drift as family members stepped back from daily operations. The Compass translates foundational principles into four shareholder objectives spanning financial and non-financial outcomes: achieving top-tier financial performance, building momentum and growth in strategic categories, earning stakeholder trust, and delivering on specific societal and environmental commitments.[28] Each business unit develops three-year Integrated Value Creation Plans translating objectives into specific targets. Executive compensation ties directly to achievement across all dimensions. As the company states, "A compass, or any business model, that orients only toward financial performance is neither sustainable nor desirable."[29]

Rio Tinto developed a similar holistic management system, following Juukan Gorge. Jakob Stausholm established four strategic objectives—with two explicitly focused on stakeholder management—supported by new governance processes and compensation frameworks tied to non-financial metrics. The centerpiece is operational transformation: co-management agreements that make traditional owners integral partners in land-use design from the outset.

Mars and Rio Tinto each show how leaders embed character in the mechanics of management. Equinor went further. In 2017, the company was highly profitable as Norway's state oil company, then known as Statoil.[30] Yet CEO Eldar Sætre recognized that the global energy transition would ultimately challenge its very reason for being. Rather than wait for crisis, leadership grounded the company in a new purpose—"to turn natural resources into energy for people and progress for society"[31]—and used it to guide a fundamental redesign of strategy and culture. Investment priorities shifted toward a more diverse energy portfolio, teams once focused on offshore drilling were redeployed to offshore wind, and performance goals came to balance financial returns with climate impact.[32] The 2018 name change to Equinor—combining "equi" (equality, equilibrium) with "nor" (Norway)—signaled not merely rebranding, but refounding.[33]

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[28] "Mars Compass," Mars, Inc., accessed June 20, 2025.
[29] Ibid.
[30] "2017 Fourth Quarter & Year-End Results—Analyst Conference," Equinor ASA, February 7 2018.
[31] "Equinor's Commitment to a Just Energy Transition," Equinor ASA, accessed November 9, 2025.
[32] Jean Rosenthal, Jon Iwata, Edward A. Synder, and Jaan Elias, "Equinor: Statoil to Equinor—Transitioning for a Low-Carbon Future," *Yale School of Management Case Study 23-023*, September 14, 2023.
[33] Ibid.

The Enduring Work of Institutional Stewardship

As disruption accelerates and stakeholder expectations evolve, more leaders will encounter refounding moments—whether navigating crisis or anticipating fundamental change.

The prudent approach is proactive. Leaders should regularly examine whether organizational character remains clear and manifest in daily practice, rather than waiting for crisis to force the issue. This vigilance becomes especially critical during technological disruption. As artificial intelligence reshapes industries, organizational character serves as both anchor and compass: knowing "who we are"—our enduring need and distinctive capability—reveals transformative possibilities invisible to those who define themselves only by what they currently do.

For CEOs and boards seeking such anticipatory stewardship, five questions can guide that examination:

- What need will remain constant, even as markets and technologies change?
- What capability must we protect and renew so it does not erode and remains distinctive to us?
- Where are we at risk of drift, of making choices that distance us from our essential character?
- Does our culture equip us to live our character today and adapt it for tomorrow?
- Have we encoded our essential character in our operations, governance, and compensation, so it endures beyond any leader or moment?

Whether undertaken proactively, systematically, or in response to crisis, this work demands particular leadership capabilities: foresight to codify character before it erodes; courage to recognize drift, even without crisis; humility to value what came before; patience to examine history carefully; and discipline to embed character in systems that shape daily organizational life.

The fundamental challenge of refounding endures: to define, encode, or recover the essential character that enables organizations to thrive across generations of change—and to evolve how this character is translated into operational reality for a changing world.

SIDEBAR

Starting vs. Founding

Not every entrepreneur founds a company; many simply start one. Starting up involves developing products, securing investors, generating revenue—the pragmatic work of launching a business. Founding requires all of that, plus something deeper: encoding the company's organizational character—its core identity defined by why the firm exists, how it distinctively conducts itself, and what unique value it creates.

The most effective founders think institutionally from the beginning. Before Warby Parker was operational, its co-founders defined the company's purpose—to democratize vision care—and values that would underpin its culture.[34] They designed a social impact mission integral to the core business. They embedded this identity into systems that could function independently of their daily involvement. As co-founder Neil Blumenthal advises, "Be thinking about purpose and values from day one... what drives you needs to be super clear to the folks that you're going to try to attract."[35]

Howard Schultz understood that building a lasting company meant embedding deeper purpose into Starbucks' DNA. Recognizing what sociologist Ray Oldenburg calls "third places"[36]—social environments between work and home that Americans lacked—Schultz's early decisions flowed from this insight. He prioritized ambient lighting and comfortable seating over table turnover, emphasized customer interaction in barista training, and provided healthcare for part-time workers and stock options for all employees, believing authentic community connection required genuinely engaged staff.[37]

When Gordon Moore and Robert Noyce left Fairchild Semiconductor to start Intel in 1968, they established a technical meritocracy where the best ideas won regardless of organizational hierarchy.[38] This created Intel's culture of "constructive confrontation"—the expectation that anyone could challenge anyone else's ideas with superior technical reasoning. CEO Andy Grove institutionalized this through practices like planning meetings where junior engineers could challenge senior executives' technical assumptions.[39]

This founding work extends beyond startups. Leaders of companies emerging from corporate restructuring—like Kenvue (from J&J), Kyndryl (from IBM), or Organon (from Merck)—aren't just managing transitions but establishing new identities, cultures, and purposes distinct from their parent companies. These "founders" must encode institutional character just as deliberately as any entrepreneur, creating new organizations designed to endure across generations of change.

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[34] Ravi Dhar, Jon Iwata, and Laura Winig, "Warby Parker," *Yale School of Management Case Study 25-015*, February 20, 2025.
[35] Ibid.
[36] Oldenburg, *The Great Good Place.*
[37] Howard Schultz and Dori Jones Yang, *Pour Your Heart Into It: How Starbucks Built a Company One Cup at a Time* (New York: Hyperion, 1997).
[38] Tim Jackson, *Inside Intel: Andy Grove and the Rise of the World's Most Powerful Chip Company* (New York: Dutton, 1997).
[39] Ibid.